

# **The Strategical Research on the Cooperation between Ports and Shipping lines**

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Key word: ports, shipping lines, cooperation, strategic.

## **Abstract**

In the light of necessary analysis on the cooperation and development between ports and shipping line, and the characteristic of cooperation between international ports and shipping lines, the article analyses the operating strategies in actual shipping lines benefits to the cooperation between ports and shipping lines. After all-round analysis on the cooperation and development between ports and shipping lines, the author presents the running model of ports and shipping lines in Far East, which is the integration of operation between ports and shipping lines (namely integration of logistics service network).

Finally, the article points out that strengthening constantly the cooperation between ports and the fields of shipping, and boosting actively the cooperation and development model between ports and shipping lines, which benefits both to the interests of ports and shipping lines themselves and to stable and healthy growth of ports and shipping lines market in Asia, also is a inevitable choice of ports and shipping lines seeking how to develop in new international competition situation.

With the world economy growing stably and going into integration quickly, it gives a favorable chance for the development of the world shipping market. In Asia, especially in Far East, it has become a competitive and developmental center of world shipping market. Under these circumstances, that how to keep the shipping predominance and boost the market developing with steady steps in Far East region , is a great invent which concerned to the ports and shipping companies of China、Japan and Korea . In recent years, our three countries all make the big steps on ports construction in order to accelerate its competitive capabilities in shipping market. As the developing strategic of cooperation between the ports and shipping lines is to give full enthusiasm to shipping companies in investing docks、storages and establishments, so all these could be beneficial to each side, and also make ports become very important node of logistics.

Since the nineties of the twentieth century, the developing situation of the international shipping market has been taken a great change as the world and regions economy growing. This change is also made strong influence upon the world ports which make progress from feeder net of the shipping lines、transport technique and ports function. The ports get direct impact from shipping companies on their location, layout and ports operation equipments. In order to develop under such competitive condition, the ports should play more attention to ships

calling economically and efficiently. For raising competitive ability, the main ports in cooperation with the shipping lines that specially attracting liners investing heavily in terminals with preferential portage and knight service have uninterrupted reinforced. At present, the cooperation between the ports and shipping lines have become a trend of developing for international liner market and port hub competitively as the strategical significance of the cooperation between the ports and liners concerned by shipping industry.

### 1. Necessary for Cooperation

At recent time, the ports are faced with a new challenge pressure upon the great change of international logistics developing which pushed forward by world economic integration. Under so sharp competitive market, the mainly importance for us is that ports and shipping lines should enhance their cooperation tightly for raising ports international competitive ability. As the ports and shipping lines all have each advantage in the operating, so ports and shipping lines cooperation is provided with a special far-reaching strategic significance to both sides.

For the ports, as the liners possess abundant economic strength, if the shipping lines to join the terminal construction, that the ports will be redound to reach for expanding a huge sum in investigation with the condition of fetching up capital shortage. The shipping lines participation in terminals management would be helpful to reduce operating risk of the ports, therefore the ports never decrease the rent income if the competition of shipping market and the change of trade flow that caused container volume down. The competition core of shipping company is supply of goods and the port is the same.

For the shipping lines, running terminals would contribute to boost ports throughput. So the liners must take the ports as their transport centre than hired the terminals and getting more container goods by every possible means is propitious to consolidate ports status, especially to enhance competitive station and promote important influence of the hubs. Such as Long Beach and Los Angeles of USA with speedy developing, witch more than 80% volumes is accomplished by hired terminals of the liners. Also in Far East region, at most case the high speed growing of container shipping is profit from tight cooperation between the ports and liners. For the moment, almost every big liner has been running the private terminals, especially in most Far East main ports the liners power for investing the terminals is uninterrupted. For example, Shanghai、Busan、Yokohama、Shenzhen, the liners have become the leading actors on operating the terminals.

The cooperation between the ports and shipping lines is also benefits more to the liners, especially the shipping lines joining in investing terminals would be helpful to further control the cost of the liners which dominated the terminals for pledging schedules and service qualities. At the same time, it could redound to the liners for dominating the most important transport node and provide extra value service of logistics chain management. It also could help to the operation consolidation and standardization of liners with terminals and agencies, and be propitious to redistribute the operation and function of both for reducing the middle link and repetitious work.

### 2. The cooperation characteristic of international ports

The cooperation between the ports and shipping lines has a long history. But since the 90's of the 20<sup>th</sup> century, as the fast growing of container shipping, especially the trend of vessels getting bigger and bigger that lead to a new and a higher requirement for the competition of international container hub, and result in a new complexion of cooperation between the ports and shipping lines. At present, the characteristic of cooperation between the ports and shipping lines develop as the follows:

2.1 The ports provide preferential policy for the shipping lines(such as terminal、logistic system、information system、investigation、portage and etc.);

2.2 The ports and shipping lines hold shares together in management that could become a common interest;

2.3 Put the freedom policy of the ports into practice to enlarge the spectrum and depth on cooperation with the shipping lines;

2.4 The ports management is more market-oriented. In order to strive for more liners calling, the ports authorities make the fixed time to hear the opinions from the liners to improve the establishment on service constantly, and also to offer knight service in logistic system out of the ports;

2.5 The ports operating pluralistic makes road of cooperation between ports and shipping lines widely. For getting more profits, the ports operation should take markets more and more as their leading. The ports now are not only loading and unloading but also operating such as maintenance channel、exploiting new harbor、shipping、navigation、supplying water and oil、logistic establishments、industry production、housing and etc. ;

2.6 The conception of the new ports hinterland is decided by liners cooperation. As container shipping has become a main modern transport facilities and a core of sea transportation. As the port usually being the middle calling spot of container shipping, it could not insure more about cargoes passing in and out that produce from hinterland itself, as this transport manner has changed traditional inner hinterland bound of the ports. In deed the ports real hinterland is decided by liners, so the meaning of the cooperation between the ports and shipping lines is much more deeply.

### 3. The Development Stratagem of Shipping Lines Is Propitious to Cooperation Between Ports

The relation between shipping lines and ports is very close, both the rising or falling shipping market and development stratagem of shipping lines will effect the development of ports deeply. Obviously, shipping market and ports have extend their business dramatically in nearly twenty years, especial for container shipping trade, it has developed rapidly effected by world economy since 1990s. At same time, the development stratagem of global container carriers have upgrade completely, and these changes are propitious to the more deeply cooperation between ports, we can see the changes as follows:

3.1 The alliance of shipping lines is adjusting and strengthening constantly. Facing the competition of maritime market, only the large company and alliance monopolization can win the market, which will be effect maritime service institution deeply, especial for the capability of harbor.

3.2 Both carriers and vessels are becoming more and more large-scale. Now many ports can not meet the requirement of large vessels, especially the international ports, only the wide sea route, deep port, more and big cranes, high efficiency because of advanced technology, more terminals, more depots, and higher capability can meet the requirement of large vessels to call, and this will meet the requirement of carriers to build more big vessels either.

3.3 Axializing and netlizing of global shipping lines overall arrangement, enhancing essential hubs. Calling at more ports, that not only be uneconomical for large vessels, but also extend the cargo delivery time. So that it could not meet the time require of consignors, and weaken the competition of owner, and disadvantage to enhance market. To raise benefit, shipping lines have to reduce calling ports to gain sailing time and lessen ports charges. In this background, the liners always pursuit their main line axialized. As a result of the stratagem, main line vessels call at most hubs, and branch line vessels to connect the subordination ports with hubs, thereby the demand of transfer cargo can be meet. Now most liners connect area net with main line ships through international hubs to exploit local market.

3.4 Further engendering of integrated logistic service net and consummating of information technology. With the development of global economic, international container market is plenitudinous day by day. It not only distribute to seaside area, also huge inland. And port is sited at the transfer point of inland river and inland cargo, is the cross point of sea shipment, freshwater shipment, inland conveyance, and is the transfer point of international container multi-transport. Therefore the ports competition will be highly improved by developing

of logistic and information technology. In the same time shipping lines are aware of the key point of their existence and develop, which is how to orientate correctly in the integrate logistic system.

3.5 Therefore, the changing of international container lines strategy bring forward higher require for ports operation. So, pressing the port authorities and shipping lines to cooperate syncretically is the best way to achieve win-win. Accordingly, port-shipping cooperation must to be the essential strategy of Asian even world ports in 21st century.

#### 4. Development of Cooperative Management Mode between Port Authorities and Shipping lines in Far-east

The ports service shipping lines. The shipping lines benefit is the base guide for layout and build international container hubs. Since 1990s, the main container ports to enhance their competition. strengthen cooperation with container companies. Now, the port authorities are affected by shipping companies on port sitting, layout, equipment, Furthermore, many ship companies invest to manage ports.

Now, the port management is facing with new problems by development of transship technology and ports function. As a result of maturing of global ship network, the carrier can select the shipping route at liberty. To choose a port is secondary, what makes carriers' attention is to the function of a port in the global logistic system. Therefore the port monopolistic status is no longer existence. So the port must pay more attention to ships calling economically and efficiently for itself existence and development under the severity circumstance. Consequently, to gain well and stably benefit and to maintain competition ability, the ports must strength the cooperation with shipping lines. At the same time, shipping lines need the ports positive and effect cooperate to be more efficient at ports. So, the port-liner cooperation is the necessity trend in the international container market and international ports competition, especially among the hubs.

The key point of development port-liner cooperation manage form is to attract large international shipping lines calling at. The ports can provide multi-transport, transfer service to the large container lines via favorable investment policy, better investment circumstance, speediness customs service and perfect logistic system. And the ports will take advantage from shipping lines' dense line and abundance steady cargo. The detail form of port-liner cooperation can be:

- 4.1 Co-invest port, viz. the port authority and ship companies joint venture to own the port.
- 4.2 The ship company manages the port alone under the port authority coordinate.
- 4.3 The port authority invests to built the port, and the ship company rent and manage it.
- 4.4 The port authority and ship company cooperate to manage storage, multi-transport.
- 4.5 Co-share information technology.
- 4.6 Co-invest and co-manage logistic system and port management.

Now the international line shipment has entered a new stage, to strength the cooperation between port and shipping is a requirement of international container logistic competition. And it is the effective way to raise international predominance of ports and shipping lines. Now, the international logistic is going into a new stage. The center of logistic development is the logistic network incorporate of port-liners. Whatever from the point of globalize of logistic, or the point of enhance the benefit and efficiency of logistic company, the port-liner logistic incorporate is the center of international logistic development. So the international line company must consider the trend of port-liner logistic network incorporate.

Under the hard competition of international shipping market, the liners should break the limitation of traditional shipping mode for their subsistence. So logistic service become the target of the big ship companies. The ports, as the center of cargo circulate and information communication, are attached importance by the shipping lines in their logistic system. The top shipping lines should take advantage to ensure their lead station at the major ports. And they should manage and develop the hubs with long eyesight and build close relation with

customs, banks, client to build a open information communication system, which can accelerate the network of port-liner logistic and promote the information service.

Therefore, strengthening constantly the cooperation between ports and the fields of shipping, and boosting actively the cooperation and development model between ports and shipping lines, which benefits both to the interests of ports and shipping lines themselves and to stable and healthy growth of ports and shipping lines market in Asia, also is a inevitable choice of ports and shipping lines seeking how to develop in new international competition situation.

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